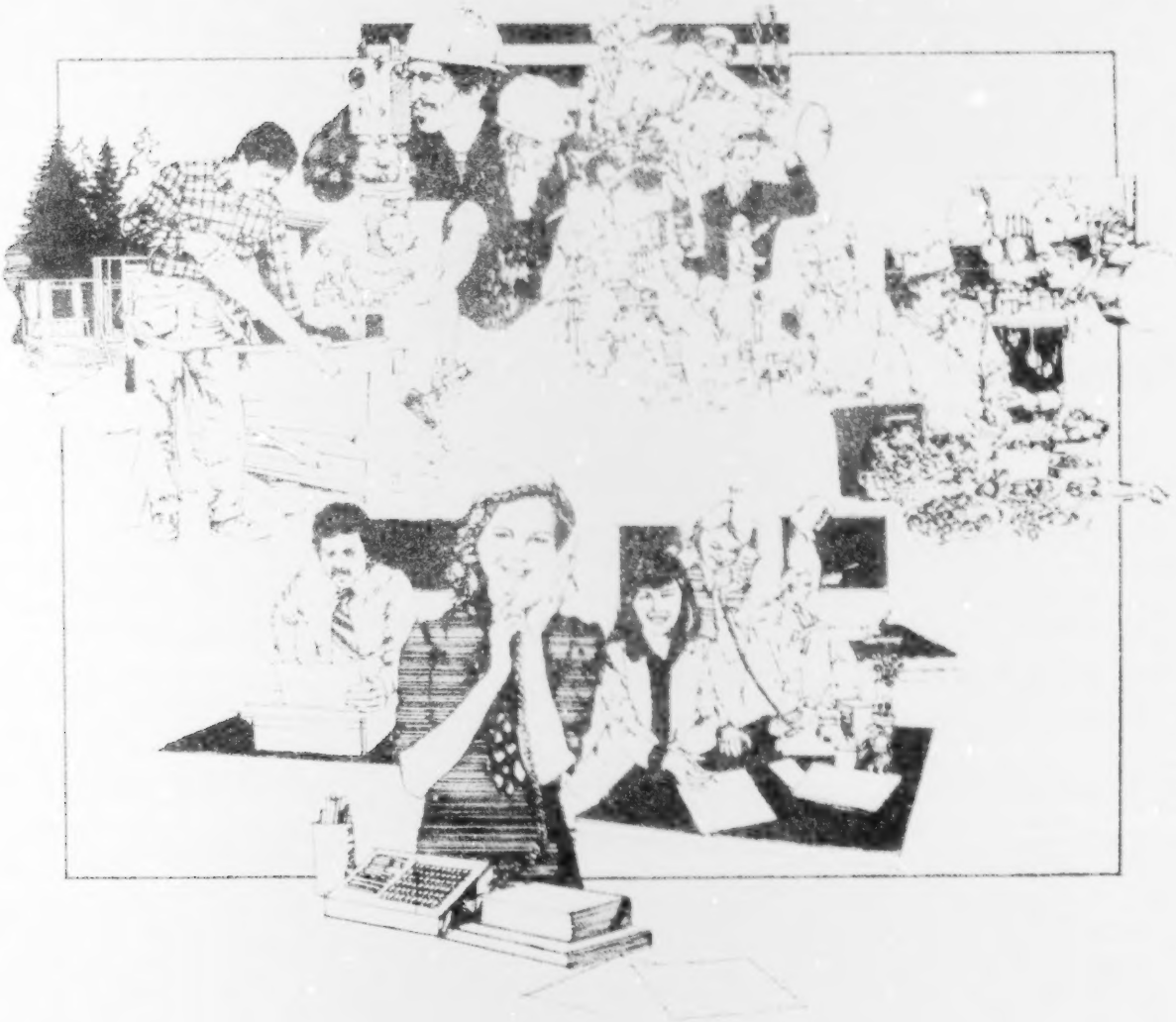
Business Incentive



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FOREWORD

The Business Incentive Policy Handbook defines the policy, its procedures and provides examples of its practical applications.

Recognizing the importance of northern participation in the development of policy which affects them, the Government of the Northwest Territories sought the advice and guidance of the N.W.T. Business Council in developing and implementing changes to the Northern Preference Policy.

The Business Incentive Policy replaces the Northern Preference Policy and is a continuing initiative of this Government to encourage growth and diversity of the business sector in the Northwest Territories. The policy changes were initiated by this government to promote the use of northern labour and materials and encourage the development and competitiveness of northern businesses.

As the policy is to be reviewed within two years of its inception, comments or recommendations regarding either the policy or its implementation are welcome.

Tom Butters,
Minister of Government Services.

BUSINESS INCENTIVE

In the North, the N.W.T. government is a major consumer of goods and services. The government requires that contracting be done through an objective tendering process. This includes contracting for the supply of goods, services and construction. The Executive Council has adopted a policy that provides incentive to Northern business, which furthers these government objectives:

— to promote the use of Northern labour
— to promote the use of materials purchased in the North
— to encourage the development and competitiveness of Northern business

Under this policy, Northern bids for competitive contracts will be adjusted by a fixed percentage before evaluation of tenders.

In the application of the incentive policy, the contract regulations still apply. The government continues to have the responsibility to spend public money wisely, to receive value for that money and to insist on high standards of performance.

The Business Incentive policy governs the tendering practices of the departments of the N.W.T. government and also those of all territorial agencies of the government.

Inquiries about the Business Incentive policy should be directed to the Supply Services Division of the Department of Government Services in Yellowknife or to the Government Services Manager in your region.

The Business Incentive Registry is distributed to government contract authorities, chambers of commerce, and the N.W.T. Construction Association.

Exclusions

Contracts excluded from the policy:

— those for legal services
— those for architectural and engineering services
— parts of contracts funded by non-G.N.W.T. agencies where bid adjustment is not allowed.

WHO IS A NORTHERN CONTRACTOR?

In order to be considered "Northern", a general contractor or a sub-contractor or supplier must fulfill all of these qualifications:

— meet legal requirements to carry on business in the N.W.T.
— maintain a bona fide office in the N.W.T. with a manager who lives in the N.W.T.
— fall into one of the following ownership categories:

1. a limited company with at least 51% of its voting shares fully owned by Northern residents
2. a co-operative with at least 51% of its voting shares fully owned by Northern residents
3. a sole proprietorship, the owner of which is a Northern resident
4. a partnership the majority interest in which is owned by Northern residents

or be a non-resident contractor that has carried out business in the N.W.T. for ten consecutive years prior to December 31, 1984 and has maintained a physical presence in the N.W.T. (i.e. business premises, warehouse, or resident manager).

— be registered as a Northern contractor before submitting a tender

HOW TO REGISTER

To register, send in a completed Application for Registration as a Northern Contractor with required documents attached. In order for a bid to be adjusted the approval process must be complete before bids are opened. Names of approved Northern contractors are published in a registry.

Application forms are available from the N.W.T. government offices and from the Department of Government Services in Yellowknife.

Each region of the N.W.T. has a Business Incentive Qualification Committee. The committee receives, considers, and rules on applications for registration. The addresses of the committees are printed on the back of the application form. Send your application to the committee in the region where your resident manager is located.

You will be advised of the Qualification Committee's decision.

Appeals: If your application is turned down, you may file an appeal in writing. Send it to the Deputy Minister of Government Services. The Minister of Government Services makes the decision.

INCENTIVE

The method and amount depend upon the amount of the contract or purchase.

Goods under $250

Departments and agencies may purchase goods valued less than $250 directly from Northern contractors using a local purchase authority.

Bid Adjustment

To provide the business incentive, a fixed percentage is applied to the bid before comparison of tenders. The amount of the adjustment depends on the tendered price. Examples of how bid prices are adjusted (for comparison purposes) are shown below.

Adjustments are applied only to the parts of the bid that are identified as being performed by Northern contractors.

Under $5,000: For contracts valued at less than $5,000, a twenty percent adjustment is applied to the Northern component -- to a maximum adjustment of $1,000.

$5,000 to $1,000,000: Northern components of contracts between $5,000 and one million are adjusted by a ten percent incentive -- to a maximum adjustment of $100,000.

$1 million to $2.5 million: In contracts for more than one million dollars, up to two and a half million, an incentive of ten percent adjusts the first million and five percent adjusts the remainder of the Northern component -- to a maximum of $175,000.

Over $2.5 million: For contracts over two and a half million dollars, there is a maximum adjustment of $175,000.

Example 1

Competitive tenders are called for supply of a widget. The following bids are received:

ABC Company	S	$3,500
XYZ Company	N	4,900
NOR Company	N	4,200

After applying the twenty percent incentive factor, the adjusted bids would be:

ABC Company	$3,500
XYZ Company	3,920
NOR Company	3,360

The contract would be awarded to NOR Company in the amount of $4,200.

Note that if NOR Company had not tendered, then the contract would have been awarded to ABC Company in the amount of $3,500.

Example 2

A Southern construction contractor (with three sub-contractors) bids $1,900,000 on a project. The breakdown is:

General:	Jim Construction	S	$1,500,000
Sub-Contractors:	ABC Mechanical	N	250,000
	Calgary Electric	S	50,000
	Pete's Painting	N	100,000
			$1,900,000

When the bid is evaluated, the total is adjusted as follows:
Northern amount = $350,000. Adjust by 10% ($35,000) to $315,000. The total adjusted bid for comparison would be $1,865,000. If the bid were successful, the contract would be awarded in the amount of $1,900,000.

Example 3

A registered Northern construction contractor (with three sub-contractors) bids $1,400,000 on a project. The breakdown is:

General:	Arctic Construction	N	$ 900,000
Sub-Contractors:	ABC Mechanical	N	250,000
	Calgary Electrical	S	100,000
	Bill's Painting	S	150,000
			$1,400,000

When the bid is evaluated, the total is adjusted as follows:

Northern amount = $1,150,000. For the first million, adjust by 10% ($100,000). For the rest ($150,000), adjust by 5% ($7,500). The total adjusted bid for comparison is $1,292,500. If the bid were successful, the contract would be awarded in the amount of $1,400,000.

MONITORING

The contract authority may require the contractor to furnish substantiation of the information given (for example, copies of subcontracts).

If it comes to the attention of the contract authority that a successful tenderer has incorrectly certified or in any way subsequently changed without prior permission, the use of Northern contractors specified in the tender, the contract authority may disqualify the tenderer from being eligible for the application in future tendering. Such a decision will be made known to the tenderer in writing.